Financial Five a Day podcast

Episode 4 – Jonquil Lowe

George Callaghan, Jonquil Lowe and Martin Higginson:

GEORGE CALLAGHAN: Hello, and welcome to the Financial Five a Day podcast with me, George Callaghan, Professor of Economics and Personal Finance at the Open University, and Martin Higginson, also at the Open University, a Senior Lecturer in Economics and Personal Finance.

In this podcast series, we'll be using the concept of Financial Five a Day to invite all of us to think more purposefully about improving our financial nutrition, in much the same way that the fruit and veg "5 A Day" campaign shifted habits on healthy eating.

We invite you to listen and to learn about the money stories of our guests and be inspired by their tips and guidance. We would especially like it if these stories encourage you to reflect on your own money habits and perhaps make some changes yourself, helping you to become more conscious and purposeful around money. Although we must note that we are not offering regulated financial advice.

Today's guest is Jonquil Lowe. Jonquil is an Academic Economist specializing into Personal Finance. And over her career, has written 30 books on this subject. Jonquil, why don't you tell us about your own money story.

JONQUIL LOWE: Well, first, I'd like to say thank you very much for that kind introduction. And it's a real pleasure to be here. When you say your money story, that could embrace a whole degree of things. Not least, the Open University's own modules about you and your money, and trying to increase the financial capability of students.

And we live in basically a society that's dominated by what one might call neoliberal outlooks on policy, where the free market is very important. And individuals are expected to take responsibility for their own financial well-being and to engage with those markets.

And so the story of your money, for every person, really, is how do they tool themselves up to engage with those markets to increase their chances of the best, good financial outcomes. I won't say they could always achieve them because we live in an uncertain world. So whatever decisions we make, however good, we can't always guarantee that the outcomes will be good.

GEORGE CALLAGHAN: And how did you tool yourself up for your personal finance journey?

JONQUIL LOWE: Well, I think one of the things to realize about personal finance, as in all areas of decision-making for individuals, is that we make decisions not just about what we know and understand, but we're also playing with our own behavioral traits, our own attitudes.

It's quite hard to change your attitudes, but it's not impossible. And the first step is being aware of your attitudes. Now I'm a person who, by nature, is quite risk-averse. So that serves me very well in the sense of I've always had a savings habit. I like the security of having some savings behind me. I've always been very wary about taking on debt.

I think anyone who wants to buy a home has no choice, really, but to take out some kind of mortgage, which I certainly have done in the past. But with other debts, I've-- I'm the kind of person who's always bought the second-hand car rather than borrowed to buy a new one. So those traits play well for me.

I have to push myself, though, when it comes to areas like investment, where I know I need to take a long-term view. Obviously, because of the subjects that I've specialized in, I have good knowledge about financial capability and financial opportunities. And I know that I'm not going to achieve long-term goals like retirement without taking on risk.

So partly, it's about understanding your own traits, understanding where you can work with them, and where you actually need to perhaps counter those traits and do something a bit different maybe outside your comfort zone.

GEORGE CALLAGHAN: So Jonquil, that's interesting. In terms of your younger self or growing up, I mean, these traits, were they shaped by your younger life or as you're growing up, or do you think these were formed much later in your life? Because you said these are kind of-- can be quite stuck. But I'm just wondering, where do they come from originally?

JONQUIL LOWE: Yeah, well, I suppose this is maybe where generational differences come in. But I think beyond generations, it's also the household that you grow up in. When I was very young, my household was not well off. They became well off. They kind of gentrified as time went on.

But because of that, it wasn't a totally impoverished background, I'm not saying that, but my parents had to be careful with money. And I suppose that I learnt some of that from then. And you because of the generation I come from, when I was growing up, it was still a cash society, so perhaps it was very easy to see where money came from and where money went. And maybe that's just not so obvious these days in our kind of cashless, contactless society.

MARTIN HIGGINSON: And do you think that-- is that what inspired you to move into the sort of personal finance area, do you think, or where did that come from?

JONQUIL LOWE: Well, yes, I mean, the original inspiration was to become an economist. And I have to say that wasn't original. My father was an economist. We used to talk economics over the dinner table. It was a subject that interested me. And I actually had to push quite hard to study it because it wasn't offered at my own school. And I got sent off to the local boys school to go and do my economics training, which was—

[LAUGHTER]

I'm sure it was very fun to my teenage self. Having done that-- well, I actually specialized-- my degree is actually in monetary economics, which was very much the hot topic at the time. It was the era of Thatcher. So that was the area that interested me, that led me naturally to a study of financial markets and, obviously, the role of money in the macro-economy.

So it was quite natural then to go into stockbroking, and that's-- and that's where I started to develop my awareness of money, and then even more so when I moved to Which?. By which stage, I was getting quite passionate about the kind of injustices that I saw around finance for households and individuals, and wanted to do what I could to try and address that.

GEORGE CALLAGHAN: John Jonquil, so there's money in the abstract and there's an interest in social justice. Reflecting on your own personal money story, what challenges have you yourself encountered around money?

JONQUIL LOWE: Well, I consider myself lucky. I mean, not everybody would, I suppose. I spent part of my life being a single mother. I hadn't planned it, obviously, but that's the way it turned out. So you could view that as a challenge.

But by that stage, I had an established set of skills. And the key, really, is having more income than you spend, and there are various ways you can do that. If your income is too low-- which, sadly, I think is the case for many people at the moment.

We live in an economy in Britain that does not have adequate safety nets, so I don't think that you can say for a lot of the people who are struggling, especially, at the moment, with the cost of living crisis. I don't think you can say, oh, they should spend less. They are already cutting their spending to the bare minimum. And the problem really is that they don't have enough income.

Now in my personal story, I was very lucky because I grew up in an era where you didn't have to pay fees for higher education. And really, my degree was the key to unlocking the wherewithal to earn a good living. So the investment in my human capital paid off. And I can say that was a stroke of luck, really, because there are plenty of people who do degrees and don't have luck in the jobs they get.

But I've always been able to earn enough to cover what I need to spend. On the flip side, I'm probably a slightly frugal person, so I've never tended to be that extravagant. There's no way that I would ever be a person who would spend up to the maximum income that I've got.

There's always that buffer there. But as I say, I'm lucky because I've been able to create that buffer. I think encapsulating it, yes, you can make your own financial well-being to some extent, but you're also reliant on some luck as well.

GEORGE CALLAGHAN: OK, so I mean that's really interesting. But if you were going to perhaps share your own money insights for other people if you were to recommend some kind of almost daily money bits-- and bear in mind the context you just said, which is, obviously, very challenging-- what might these look like? What might these be, Jonquil?

JONQUIL LOWE: I think daily habits are very important when you're-- when you're kind of starting out on your finances, when you don't have much, or when you've run into difficulties, for example, if you're in debt. But when you've got beyond that, when you've got to the stage where you're kind of saving on a regular basis and you're looking at longer-term goals, I don't think it's so much what you do daily. It's what you do in certain events.

We could make a contrast with the analogy of this healthy eating, where you have a "5 A Day" habit is promoted. And that's because eating is already a daily activity. So you're nudging to make that daily activity better. And then another very successful government campaign if you cast your mind back, which I can, but you younger people maybe can't, there was a campaign to get everyone to wear seat belts. And the message was "Clunk, Click Every Trip." It wasn't--
GEORGE CALLAGHAN: Remember it well.

JONQUIL LOWE: It wasn't "Put your seat belt on every day." It was every time you were in the situation where that's relevant, then do the right thing. And I think that's often the case with personal finances. It's you need to train yourself to do the right thing in the particular circumstances you're in.

Now having said that, there are some daily things or situations where the daily activity becomes relevant. And the first one I mentioned was if you're in debt. One of the problems with debt is actually admitting that you have a problem.

So perhaps one of the baseline daily activities is make sure you open your posts. Open your emails. You read them. You accept what's in them. Don't just try and set them aside and ignore them, however unpleasant. They are-- they're actually better dealt with sooner rather than later. Then really, particularly if you're in debt, but if you're on a tight budget as well, then there is something that's almost daily about being careful how you spend. Again, I'd be cautious about daily because you don't necessarily want to be spending daily. And actually, spending daily might be part of your problem.

[LAUGHTER]

But when you do spend, it makes sense to be aware of what your bank balance is before you go and splurge on something. It makes sense to be aware of what you're spending your money on. So sometimes we talk about using a spending diary. And that's most commonly something that we'd recommend as a way of finding out where you spend your money because it's so easy to spend on the odd cup of coffee, sandwich here and there, or whatever without really thinking about it or even remembering you've done it.

So there is another use to a spending diary, which is not so much about finding out. It's when you know that you're inclined to these impulse expenditures. Actually keeping a diary can give you that little reining in-- "Oh, actually, I won't buy that."

And why I'm so aware of that is I don't keep a spending diary, but I do eat a very low-fat diet for health reasons. And I actually keep a food diary, and that does make me stick better to my diet because I know if I eat something, I've got to put it in my diary. And I'm going to have to face the fact that, actually, I broke the rules.

And I think you can cultivate a habit of using a spending diary in the same way, which is not to say that you necessarily want to do it every day of your life, but during those times when you're having to watch the pennies, it actually just might help.

GEORGE CALLAGHAN: So is that like, effectively, a little nudge for you with the food diary?
JONQUIL LOWE: Yeah, absolutely. It's about nudging your behavior. It's about a way of doing it yourself. It's kind of using your conscience as a second person.

GEORGE CALLAGHAN: I think I need that one, myself, actually, so yeah.

JONQUIL LOWE: And then another area where a daily habit might help is if you're-- if you're starting out, you haven't yet developed a savings habit, but you want to develop a savings habit. So a way of doing that on a very small scale if you haven't got much money to spare is, in the old days, we'd have put change in a jar. But maybe these days, you could have a rounding-up app.

So that's a little app on your phone, when you pay for something, it rounds the price up to a whole number of pounds, with the surplus money going into your savings. Or another trick you can do-- and this would require daily attention-- is you can start saving an amount daily, but you can increase it each day.

So you might even start with just a penny. And the next day, you might go-- I mean, you could double it. If you double it, you're going to quite quickly get to large sums so that might be too much. But by increasing the sum every day, you perhaps find out where your threshold is, the amount of money that you can comfortably save every day. Once you get there, you could stick there.

That would be a useful daily routine if you're just starting out with that savings habit. If you're a bit further along the road, then I'd say it's more of a monthly habit. When your salary comes in, make sure that the first chunk goes into your savings. So financial experts call that paying yourself first. You put the money in your savings and then you can spend what's left over.

GEORGE CALLAGHAN: Jonquil, absolutely fascinating. And just to kind of wrap up, what have you changed your mind about in relation to money?

JONQUIL LOWE: Well, that's a difficult question. Actually, I suppose what I've changed my mind about is online banking, to be honest. I was quite late to adopt online banking, not because I'm a technophobe but because I do worry about the balance of benefits and risks.

The risk of scams is quite high. You have to be very alert. And actually, that is another thing that you could add to your daily list, is that you have always got to be alert to the text messages, the emails, the phone calls that try and scam you out of money because they are daily.

A lot of them you won't see because they automatically go to your spam folder or whatever, but it is a constant barrage. And you do have to retrain yourself to be emotionally resilient. You don't take in the messages particularly if someone calls you.

Our natural inclination is to be polite with people, but you've really got to train yourself. If someone cold calls you, it's fine to be brusque. I mean, you don't have to be out and out rude, but it's absolutely fine to talk over them and just say, I'm really not interested, and hang up.

GEORGE CALLAGHAN: Jonquil, with that, because I mean, obviously, now, with artificial intelligence and everything, people can start creating voices and everything. I mean, is there a giveaway if it's some sort of scam, do you think, or do you just have to have your senses about you because—

JONQUIL LOWE: Well, yeah. I mean, this is a huge problem because in the early days, there were giveaways. Scamming emails tended to have spelling mistakes and all sorts of things. You could spot them. These days, they tend not to.

And you're right, with generative AI, it's quite possible that someone might even get a snip of the voice of someone you know. My daughter could get a message that's taken from this interview that we've done now, little snips of my voice, and create a message that sounds very plausibly me.

I mean you've just got to be increasingly alert. If there's any little niggle in your mind, any little red flag going off, "This is an unusual situation," then you don't respond to that message you've just received. You cut your ties with that message and you go and do your own research.

So if I had a message purportedly from my daughter being in trouble, she'd lost her phone, and could I send 100 quids to whatever account, I would actually not react on that at all. But I would contact my daughter through the channels that I know are between us to find out whether there is something I should be responding to. It is going to get increasingly difficult.

But you asked me had I changed my mind. Well, eventually, I did adopt online banking because the inconvenience of not having it outweighs, I think, the risk of being scammed. But I do run two accounts. So I have one with not very much money in, which is the one that I use in higher-risk situations, and I try and ring-fence the one that has my real money, as it were.

GEORGE CALLAGHAN: Thank you, Jonquil. Absolutely fascinating.

JONQUIL LOWE: Thank you for having me.

GEORGE CALLAGHAN: Well, Martin, that was absolutely fascinating. Let's spend a couple of minutes just trying to identify themes. Jonquil started by acknowledging-- and I thought right throughout our contribution was this link between learned behavior and personal finance decisions.

And so she namechecked her upbringing, she namechecked how her-- how her parents, how her mom and dad were around money. And maybe that she'd always got this inherited idea of being risk-averse, of saving for something before purchasing, of going second-hand for a car rather than new, and having, as an overall goal, more income than expenditure.

MARTIN HIGGINSON: Absolutely. She emphasized that, didn't she? And she talked about money traits, which kind of quite difficult to shove and nudge and everything. So I thought, "That's quite a powerful position, isn't it?" In the sense of recognizing individuals' own money traits as a starting point is really important. And that came through really strongly, I thought, actually.

And you're right about her. Her baseline was income and expenditure, but then she did go on, didn't she, to say-- well, if you're thinking about daily activities, she also mentioned debt, which was a fundamental one.

GEORGE CALLAGHAN: And again, one of the underlying themes that you and I have is that our emotional response and behavior is as, if not more important, than being able to control a spreadsheet and so on. And on her-- and just looking at what her 5 A Day might be, or even 5 A Week, what might be her positive money habits, don't hide from the bad news.

So if there's letters-- it used to come in brown envelopes. Now there might be emails. If there's worrying financial news, well, you're better facing up to that reality immediately.

MARTIN HIGGINSON: And then actually, she followed it up in the end, didn't she, with a similar message about don't duck away from challenging scams, if you remember, at the end there.

She was talking about it's almost a daily occurrence that we get text messages, we get emails.

Sift in between those ones which are valid and which of those are scams, seem to be a real kind of newer development, wasn't it? So it was something similar in the sense of, yeah, this is a daily thing that happens. We get letters and we get emails, but also, we get scam emails and letters. And sifting between what is real and what isn't real is going to be really difficult because she talked about artificial intelligence there, didn't she, as well?

So I thought that was a top tip, actually, there. I thought that was really good.

GEORGE CALLAGHAN: Yeah, and what that also brought to the front of my mind was how it might impact on different demographic groups. So while some older people will be absolutely fine with all the email and the social media, others, not so much. And people may be more vulnerable to these financial scams. So maybe they would have a slightly different financial 5 A Day.

And going back to this idea of you've got health nutrition and you've got financial nutrition, Jonquil was also really eloquent on how you might keep a spending diary. So for health reasons, she keeps an eating diary. And someone who may be facing debt difficulties or who had a goal that they really wanted to save for that second-hand car, they might keep a spending diary to dial down their spending, and that would enable them to dial up their savings and investment.

MARTIN HIGGINSON: Well, it had a dual purpose, didn't it? Which was really interesting because part of it was keeping track so you could almost develop some kind of budget, but she also said it was a nudge, like with her food example. It was-- looking at that food diary actually did stop her perhaps eating that extra cake or something like that.

So spending diary does have those dual purposes. One, it's a way of keeping track of your spending, which goes into a budget. But secondly, it acts as a nudge to kind of actually stop these overspending. So I thought that was an interesting point about the dual purpose of a spending diary. And the analogy to a health diary, which I think loads of listeners will have an app about a health nutrition. I thought that was a really good way of linking the two up, actually. Very interesting.

GEORGE CALLAGHAN: And to wrap up, she changed her mind about online banking. And it goes to show the potential that is there with new technology. She mentioned you could-- you could round up your spending and build up a savings pot using an app. And she herself was a little bit skeptical about online banking, but now she's embraced it. So what a great interview to kick us off.

MARTIN HIGGINSON: Great. I totally agree, George.