



**"Earn, Spend,  
Save, Borrow,  
Protect"**

Five Components of  
Financial Literacy

## **Irrational or Rational? Time to Rethink our Understanding of Financially Responsible Behaviour**

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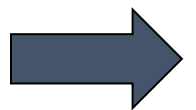
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## The Three-tiered Pension System in the UK

An everyday investor moves beyond „passive forms of financial practices“ (Lai, 2016:38) and “purchases and trades a portfolio of equities” (Langley, 2006:927) and „adopts new modes of self-governance and reflexivity to monitor their investments“ (Lai, 2016:3)

- **State pension** with entitlements aimed at minimum poverty relief, currently at £221.20 per week based on 35 years contributions independent from the partner’s contributions
- **Workplace pensions** where workers qualify for automatic enrolment when earning at least £10,000 per year in a single incidence of employment, predominantly DC schemes
- **Private pension investments** supported by tax benefits and subsidies



And yet, 12 million people in the UK are under-saving for retirement through workplace pensions and make sub-optimal investment choices (PPI, 2017; DWP, 2018)

## The Investor Subject

- “insures himself against the risks of the life cycle through financial literacy and self-discipline” (Van der Zwan 2014, 113)
- Realizes that workplace pensions provide a tax-efficient way to save
- Adopts key financial concept when constructing an asset portfolio (Campbell 2006; Mitchell and Lusardi 2012)

## From Financially Rational to Capable

- **Behavioral Economics:** issues of self-control and procrastination results in making “irrational decisions about joining (or not joining) company plans” and “not understanding the tax implications of their savings behavior” (Strauss 2008, 146)  
➡ Nudge people to behave in financially rational way
- **Financial Literacy:** “the failure to plan for retirement” and “lack of participation in the stock market [...] can all be linked to ignorance of basic financial concepts” (Lusardi 2015, 260). ➡ Financial education
- **Financial capability:** People need to have the “behavioural disposition” to make responsible financial decisions (Prabhakar 2021, 27) ➡ improve design and delivery of financial education programmes supported by access to FI

## Context-Specific FE

**Economic Geography:** Being in a junior position, a lower paid job, younger and a single woman coincide with a lower risk tolerance, a tendency to discount the future and using property in a non-strategic manner (Clark 2010; Clark 2014)



Move towards more “targeted and effective financial education” (Clark et al. 2021, 5) and create equal access to financial products

## Contextual Constraints

Moving towards context-specific FE implicitly blames individuals for “deficient knowledge” (Hamilton and Darity Jr 2017, 59) without tackling contextual constraints

- Fundamental uncertainty in financial investments and less job protection “undercut[s] capacity to perform the subject position of the investor” (Langley, 2007, 83)
- Systemic constraints due to employment, income differences and unpaid care are marginalized (Allon 2014; Loomis 2018)

## Variegated Subjects

- Finance rationality becomes enmeshed with everyday rationalities such as uncertainty, relationships and moral understandings (Hall 2019; Lai 2017)
- Divergence from one the two components of asset norms – accumulating assets (behavior) and finance rationality (subjectivity) {Pellandini-Simanyi and Banai, 2021}
- These deviating practices form part of a financialized subject (Hillig 2019; Agunsoye 2021).

# How Gender, Marital Status, Gender Norms affect Savings Goals

## KEY INSIGHTS

- Women's long-term saving goals are over 23% lower than those of men receiving similar income and women choose more accessible investment products, deepening wealth inequalities created by caring duties.
- Based on exploring the savings goals of 1,760 clients at a well-established UK investment firm and 56 interviews, we found that men and women who are married or cohabiting tend to strongly diverge when it comes to their chosen savings goals, compared with those who live on their own.
- Gender norms influence women's attitudes towards retirement planning, as responsibility for day-to-day household budgeting and childcare limit women's ability to contribute to pensions on a regular basis and create a need for having easy access to their savings.
- Thus, women tend to set modest saving goals and invest in financial products that yield lower returns.

Source: Agunsoye, A.; Monne, J., Rutterford, J. & Sotiropoulos, D.P. (2022) in *Kyklos* 75(2):157-183.

# ‘I had to take control’ - Gendered Finance Rationality

## KEY INSIGHTS

- Interviewees opted out of pension savings because of not being able to afford childcare and pensions at the same time and not being able to flexibly adjust pensions
- They are aware that caring duties result in less earnings possibilities, hence, women aim to **increase pension contributions** before motherhood and/or **employing flexible investment product** at lower contribution levels
- The locked-away design of pension products, with long-term investments managed by the pension fund on behalf of the members, seems to be a particular concern for women.
- Driven by lack of accessibility and having adopted gender-normative assumptions of being less financially inclined, interviewees reduce the time they invest in informing themselves while nevertheless not missing out on the free money by the employer.
- Seeking means to save and invest which appear more accessible than pensions such as ISAs, premium bonds, or invest in property

Source: Agunsoye, A. & James, H. (2023) in *Review of International Political Economy* 30(4):1486-1509. (Open Access)

Categories	Female (38)	Male (25)	Majority Ethnic Background (48)	Minority Ethnic Background (15)
Under £10,000 (LI*)	5	1	3	3
£10,000-£19,999 (LI)	14	4	14	4
£20,000-£29,999 (MI)	8	5	10	3
£30,000-£39,999 (MI)	5	3	4	4
£40,000-£49,999 (MI)	3	6	8	1
£50,000-£59,999 (HI)	2	0	2	0
Over £60,000 (HI)	1	6	7	0
< 30	8 (2 below MI)**	2 (0 below MI)	4 (0 below MI)	6 (2 below MI)
30-39	4 (3 below MI)	3 (1 below MI)	6 (3 below MI)	1 below MI
40-49	7 (7 below MI)	6 (1 below MI)	9 (5 below MI)	4 (3 below MI)
50-59	15 (12 below MI)	4 (3 below MI)	16 (12 below MI)	3 (below MI)
≥ 60	4 (1 below MI)	10 (3 below MI)	13 (3 below MI)	1 (below MI)
Single	9	3	8	4
Married	17	14	27	4
Cohabiting	7	4	9	2
Divorced/Separated	3	3	1	5
Widowed	2	1	3	0
No children	18	10	21	7
1 Child	5	5	9	1
2 or more Children	15	10	18	7
No High School	0	1	0	1
High School	7	5	10	2
Bachelor's	9	7	13	3
Master's	19	9	21	7
PhD	3	3	4	2

- Explore the interplay between constraints and variegated subjectivities
- Average income of the sample lay at £31,003 below the mean income of UK individuals (£33,500)
- 13.3% were self-employed (13% national average) and 23.5% have a different ethnic background than White British and 19% different than White (compared to 25.6% and 18.3 in England and Wales [ONS 2022])

# Contextual Uncertainty and Occupational Constraints

- Contextual uncertainty: Uncertainty in financial investments and less job protection "undercut[s] workers' capacity to perform the subject position of the investor" (Langley 2007, 83; Storper 2014)
- How does being self-employed, working part-time or experiencing a patchy work history shape financial practices within contextual uncertainty?

## Lack of Access to Pensions results in Choosing Alternative Savings

"I mean I have money in the bank, I don't really see that as investment [...] You have your state pension possibly coming in when you retire but in my case, it's not gonna be much because I haven't worked full time [...] I had tiny blocks of pension but not really, it's not gonna make anybody, maybe buy a pint of milk with it possibly or two, if you're lucky you get one week of shopping maybe but no that is something I need to look into, I know in the moment I have no extra pension but I need to somehow put aside money but I guess then the question is, is it better to have a pension or do you put the money aside into a Cash ISA? [...] for me investment is risk [...] you don't know, what happens, the financial world we live in it fluctuates really."

(Agnes, 46, Other White Background, Low Income)



# Contextual Uncertainty and Occupational Constraints

**“Non-traditional” work trajectory can result in questioning suitability of pensions...**

**“I’ve got very little pension provision because when you’re self-employed, it’s the last thing you tend to put money by for [...] you earn only in lumps, so it’s easier to actually save a chunk of that then it putting away as if you’re on a monthly salary [...] **most of my money, we’re not talking about large sums here, is within ISAs** [...] there were little pots [of workplace pensions] [...] so I tried to consolidate these. It’s through Hargreaves Lansdown so they sort of manage the portfolios [...] we didn’t have certainly the flexibility in previous years to do anything with those pensions, yeah, you put them in and then **you couldn’t access them** [...] it’s just about trying to have some security and stability by spreading the investments and just trying to save what I can.”**

(Fleur, 58, White British, Low Income)

- Disinclination towards pensions due to its inflexibility which clashes with the need for flexibility when being self-employed
- Yet, seeks to prepare for retirement by different means and seeks to spread investments by means of a managed portfolio and ISAs which contain tax-free allowances

# Contextual Uncertainty and Occupational Constraints

**...and in having experienced many different pension options, thus, being sceptical of pensions**

“Our pensions are pretty terrible over here so although I got a private pension [DC workplace pension], it's not a great private pension and I think you know private pensions, **all the money goes out in charges and fees and so on**, so I never bothered with that. I had it years ago. **I never bothered topping it up or doing anything with it because I felt it wasn't worth it.** And there's you know choices between pensions and property and British pensions are rubbish, they are rubbish and **the private sector the way they deal with pensions I think is daylight robbery** [...] So I think you know if you want to have a pension, you gotta to do something you've got to have a business going, carry on working until you retire unless you've got a really good final salary pension scheme or something like that you know they were really useful or public sector pension.”

(Nadeem, 62, Indian, Low Income)

- Interviewees quite rationally questioned the benefit of DC pensions, especially when taking into consideration the high charges and fees and the inherent uncertainty of DC investments in comparison to DB pensions
- Disengaging from pensions and adjusting financial practices in line with their individual context is not irrational but investments are used strategically, employing them to overcome obstacles incorporated in the current pension system

# Intimacies and Unpaid Care

- Structural constraints associated with motherhood, which limit pension saving (Agunsoye & James 2023; Grady 2015; Strauss 2014), are exacerbated by the complexities of relationships and migration.
- Despite being constrained, interviewees like sought to save and invest, conforming to norms of self-governance

“I’ve always been saying like we should get a divorce. He said “Do you pay for that?” The I’m , “Yes true, I don’t have money to pay for it [...] It's getting better now, as I say, he's getting older now. **I can start seeing the light in the tunnel** [...] if he grows up more and then maybe things will get even better, **then I can work more** [...] with the amount I’m having, I cannot save much, but I’m trying my best.”

(Amidah, 44, Black African, Low Income)

“I’ve been in all different employments, you know being, even if I’m married, I’m separated and I’ve looked after my children, so depending on my circumstances I’ve been in and out of jobs [...] **I would love to invest in something. I would love to see my money grow.**”

(Namono, 50, Black African, Lower Medium Income)

## Adopting Self-Governance Measures

**In the short-term they seek to increase their savings by means of budgeting and employing relational earmarking (Zelizer 1994) ...**

“work within your little means to save money rather than you know bringing in money, keeping money than to just waste it or throw it out for shopping, you know, I look at my current shopping list, if I don’t need something, if I can improvise, I don’t buy” (Namono)

“I’ve opened for my son his account [...] because when I put it in his, I won’t get it out, it will just stay there.” (Amidah)

**...and in the long-term, they seek to find ways to build investments for the future**

“I’m paying pension automatically at work. They advised it two years ago [...] They’re taking I think about £2 something every week” (Amidah)

“I constantly look to ways to manage the little I have better or to make it better work for me so I do courses online, I’ve done accounting, I’ve done evening course at college, I’ve done, I do courses on FutureLearn” (Namono)

## Gender Norms of Caring within Couples

- Reflecting a rather robust understanding of the role of unpaid work within the household (Weller & Tolson, 2020): “it would easily come up to a combined salary of £3,000 a month, wouldn't it? A taxi driver, a cook and a childminder and a child psychologist when needed”.

“We had a chat about a couple of years ago when I said the money that I'm not earning as a salary because I could be working and all that and **my services to the family plus the lack of savings and the fact that I do not save for my retirement.** Because I used to put money aside when I was in paid employment, not self-employed. Then I explained to him that **I felt a bit insecure because if anything happens, I do not have much in terms of savings** and he said okay and he addressed it and he thought if I put a chunk sum onto your, if we **open an ISA account**, because that was the most interesting from savings and we do every year put the maximum amount we can count, would you feel more reassured? **I said yes and we would go for it, the maximum amount before it gets taxed.**

(Ai, 42, Chinese, Low Income)

- Since carers do not have a fallback option in the form of receiving income from workplace pensions and earn irregular incomes, more flexible and lower risk options such as savings accounts are seen as viable solutions, results in income being assigned differently within the household, further disadvantaging carers.

# Moralities and Income Constraints

- Financial education campaigns have started to incorporate “moralities and value judgements” (Lai 2017, 923) to mobilize individuals to conform to the investor subject, yet they can also operate contrary to expectations of finance rationality
- Competing moral influences come to the fore in the context of income constraints and result in disciplining mechanisms

**“Moral expectations of reciprocity in parent-child relationships”** (Singh 2017, 185)

**“In Africa our family depends on us**, you see, so the family will look after you and after 15 to 20 years the family expecting something from you. So the family wants you to go and work so that you can look back and take care of Them [...] That’s why I can say my country people who are living here, most of them they don’t want to stay at home, they want to work because if you are here you still have to look for your family back home so if you’re not working how are you going to look for them? **And the government can’t help you to look for them [...] so it’s good if you save and the pension can help you [...]**”

(Kojo, Black African, Lower Medium Income)

# Moralities and Income Constraints

## *Results in Pursuit of Investments and Exploitative Financial Relationships at the same time*

Kojo is adapting practices as a result of combining notions of financial responsibility, which suggest that one needs to provide for oneself, with the moral obligation he experiences to provide for his family network.

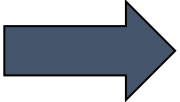
### **Insurance with Pension Element**

At work I pay a pension and I made a pension myself. I think that one I pay £40 every month [...] you have to continue paying, you see, if you don't pay your money is gone"

### **Shared Homeownership (20%)**

"I decided to buy a house instead of renting because if [...] I stay here 20/30 years and I pay it [mortgage] I can get maybe £1,000 from it that is the profit at least £1,000 from it, profit from it but if I rent it I don't get nothing from it, you lose."

This is intensified when experiencing intersections of socio-economic constraints:



"I took on a loan in the past to help my parents who live in, are still alive in Africa when they had difficulty of illness and I haven't had the money [...] I found it difficult". (Namono)

# Moralities and Income Constraints

- Combination of moralities in interplay with income constraints can culminate in a collective approach to asset accumulation which are not recognized in the individualistic model of the financial subject and financially responsible behaviour.

“My Mum and Dad are too old for finance, so they couldn’t have finance and as we were in work, full time work, my sister and I decided to buy it from our savings, obviously from gifting from our parents and then we took out a mortgage with our salaries [...] it was an **interest-only mortgage** but then we overpaid [...] there is a certain amount you can overpay by, so only overpaid by that much, so we wouldn’t incur the penalty fee. **It was the only way that we could probably afford the house,** yeah we wouldn’t be able to buy it separately.”  
(Aditi, 26, Indian, Medium Income)

- These strategies, while offering practical solutions, do not overcome the inequalities in the landscape of finance but instead enable the asset-based welfare system and often result in increasing the pressure to save and invest, hence, intensifying the disciplining mechanism of financial self-governance without providing adequate income during retirement.



# Conclusion

## KEY INSIGHTS

- Disinclination towards pensions due to its inflexibility which clashes with the need for flexibility when being self-employed, working part-time or working across multiple employment contracts
- Having a patchy work history and having experienced different pension regimes has resulted in a distrust in pension system and highlighting the high fees and costs associated with pensions.
- Interviewees realize they would need to put sufficiently more aside than someone who has access to a full-time job.
- As a result, they contribute to pensions if they are offered but do not engage with these. Instead, they seek to prepare for retirement by different means and seek to spread investments through using ISAs which contain tax-free allowances
- Reflecting a rather robust understanding of the role of unpaid work within the household, interviewees negotiate alternative pension arrangements with their partners.

# What does it mean for theory?

**Lived Finance Rationality:** variegated subjectivities and practices are understood as logical responses to the personal context which at the same time deepen inequalities inherent in a capitalist welfare state

- Everyday rationalities and constraints build a mutually generative relationship, constructing variegated financial subjects where pension practices are adapted to one's personal context while also intensifying the pressure on oneself
- These practices should not be perceived as irrational which require corrective policy solutions but are logical responses to the constraints individuals experience seeking to conform to norms of financial self-governance
- Insights provided here highlight the need to move beyond recent calls for contextualised financial inclusion initiatives and point towards the need to tackle systemic inequalities
- Even when adopting financial self-governance, putting more pressure on oneself and planning long-term, the uneven outcomes of the current pension system are not smoothed but deepened

# What can it mean for policies?

## *Policy Implications*

- Recognizing multiple rationalities within finance rationality would make the system more inclusive and help to improve long-term outcomes.
- Offer subsidized financial products for targeted groups
- Extending workplace pensions to groups currently excluded, subsidizing this access to make it more accessible and relying less on DC pensions which are more uncertain and contain smaller employers' contributions
- Since workplace pensions are tied to workplace conditions, large groups of society are disadvantaged. Hence, there is a need to establish equitable starting points for pension savers, balancing out inequalities due to occupational constraints, unpaid care work and income constraints and reducing the reliance on individual investments for financial security in retirement.

# Recommendations based on Key Insights

## POLICY RECOMMENDATIONS BASED ON THE KEY INSIGHTS

Make financial advisers and clients aware of gender norms

Take gender norms into account when devising policy

Ensure affordable childcare costs

Acknowledge role of trust: democratic governance?

Make workplace pensions and contribution systems more flexible

Offer subsidized access to workplace pensions and financial products for groups disadvantaged in pension system

- Short-term: balancing out inequalities due to occupational constraints, unpaid care work and income constraints
- Long-term: making pension income less reliant on workplace conditions

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