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'I make £120,000 but I can't recall the last time we went out for dinner'

Judith Woods discovers how the Squeezed Middle are making ends meet as taxes and the cost of essentials keep rising

Feeling the squeeze: Guy and Sharon Jackson with their sons Tom, 17, and Harry, 16. 'I can't afford to keep on supporting them,' says Guy

By Judith Woods **THE DAILY TELEGRAPH**

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This article was originally published on May 7, 2014, and has been republished after Danny Dorling, a professor of geography at Oxford University, said those in the lower half of the country's top 1% of earners feel £160,000 to £370,000 a year ***is not enough to maintain their lifestyle****.*

The British economy is looking buoyant. With a growth in GDP of three per cent, UK Plc is once more afloat. But a rising tide should lift all boats – and so far there is little sign of that in the becalmed waters of the Squeezed Middle.

Having previously urged the Chancellor to ease austerity measures or jeopardise growth, the International Monetary Fund has now conceded that the UK will be among the best performing of the world's largest economies.

George Osborne is chipper, but for the Squeezed Middle, who are struggling to keep their proverbial heads above water financially, the mood is far from optimistic.

This week we learn that a fifth of families are moving to bigger houses rather than downsizing when their children fly the nest – because parents fear their fledglings will boomerang straight back when they can't afford homes of their own. And a warning has been sounded by Halifax, Britain's biggest mortgage lender, that parents are placing their pensions at risk in order to help their adult offspring clamber on to the property ladder, as a typical deposit now stands at £31,000. It might be manageable for one child, but for two or more, the costs could be crippling.

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"The growing expectation from first-time buyers that parents will fund the purchase of their home puts parents in a difficult position," says Halifax spokesman Craig McKinlay, who described the survey results as "surprisingly bleak".

"More parents are dipping into their savings and don't envisage it being repaid, compromising their retirement funds. Parents have to balance generosity to their children against self-preservation." According to consumer analysts, the most affluent shoppers have remained relatively unaffected by the downturn; the poorest are used to working to a budget. It is those in the middle that have seen the most painful drop in disposable income over the past five years.

Thus, with profits falling at Tesco, dubbed by one retail expert as the “canary in the coalmine” for the Squeezed Middle, the company announced this week that is creating discounted “pound zones” in order to go head-to-head with Poundland. Sainsbury’s sales have dropped off for the first time in nine years. And although Waitrose enjoys growth due to its affluent customer base, it is Aldi and Lidl whose profits and market share are really on the up (and up), thanks to an influx of economising middle-class customers.

“People in the middle don’t have anything like as much money to play with as they did back in the boom years,” says Matthew Piner, research director at retail analysts Conlumino. “Their disposable income has been so eroded by slow or no wage growth and rising bills that they are spending much less freely.”

The collective mood plays a big role in national confidence and because of spending cuts and talk of ongoing austerity, people are generally a lot more worried about the future than they were 10 or even five years ago. “That more cautious mentality means people want to put more money aside, but as the British economy still remains over-reliant on consumer spending, every pound tucked away is one less pound circulating in the economy.

“It’s all very well for politicians to target economic recovery, measured in terms of GDP, but if people aren’t feeling any better off then perhaps we need to find a different way to quantify 'success’,” says Piner. “Asked if they would rather have three per cent GDP growth or a bit more money in their pocket, it’s not hard to guess what most people will say.”

The middle-class pillars of self-reliance, saving for the future and investing in their children may be shaking precariously, but they have not crumbled away entirely. A survey by Nutmeg, an online savings and investment management service aimed at professionals, recently revealed that around 72 per cent of UK adults across the socio-economic spectrum have had to cut back every day expenditure due to the rising cost of their monthly bills.

Yet they continue to focus on the future.

"The past few years, since the 2008 credit crisis, have been extremely difficult and the squeezed middle have certainly suffered, along with others – the younger generation, in particular," is the verdict of Nutmeg chief executive and co-founder, Nick Hungerford.

Education remains a cornerstone, although in the light of the protracted belt-tightening, independent schools are offering greater support in the form of scholarships and bursaries. According to the Independent Schools Council, over a third of pupils at its 1,250 member schools receive help with fees.

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Even in the face of difficult economic conditions, and average term fees of £5,000, rising to £9,600 for boarding, total pupil numbers have risen rather than fallen over the past year, in marked contrast to the beginning of the recession when there was an abrupt drop. It illustrates that no matter how hard-pressed the middle feels, on some issues there will be no compromise.

"I recently heard a parent say, 'You can tell the middle-class parents, because they will go to almost any lengths to send their child to an independent school'," says Janette Wallis of The Good Schools Guide. "There is a spirit that even where they can't afford school fees, they will use what resources they have to move house to be in the catchment area of a good state school or pay for tutoring for the 11-plus."

Claims last week that children from poorer backgrounds are to be given priority at a great many grammars comes as yet another setback. But it is one the Squeezed Middle will, as is their wont, find a way to cope with.

"The squeeze has really hit me and my family. Even though we have a reasonable income we have had to economise, swapping Ocado deliveries for trips to Tesco, never changing our cars or going on city breaks. I can't remember the last time we went out for dinner," says Guy Jackson, 53, a financial compliance officer in the City, who lives in Farnham, Surrey, with his wife, Sharon, 50, and their sons Tom, aged 17, and Harry, 16.

Much of Jackson's £120,000 basic salary – which is at the upper end of the Squeezed Middle – goes on his sons' school fees. The boys attend Lord Wandsworth College, the independent day and boarding school that counts rugby legend Jonny Wilkinson among its alumni.

"The boys are flexi-boarders, so they stay at school on various nights of the week," says Jackson. "Annually it's costing £45,000 after tax, which is a considerable outlay, but I'm happy to pay because I want them to have the best start."

With the prospect looming of university with fees of up to £9,000 a year, he has some tough decisions to make. "I have a £350,000 mortgage that I have to start paying off if I want to retire when I'm 65, so the boys will have to get loans," he says. "I also worry about whether they will ever manage to get onto the property ladder and will do all I can to help – but by the same token, I don't want to become a cash cow. The truth is, I can't afford to keep on supporting them."

Jackson's tone is matter-of-fact. Like the rest of the Squeezed Middle, he is keenly aware that his situation evokes little sympathy. "I know if I were to have a conversation with someone on a council estate, they would think I was mad," says Jackson, wryly. But the trickle-down economics central to wealth creation is only effective if benefits accrue to every stratum of society. And the more the finances of people like Jackson are constricted, the less they spend on goods and services. The less they spend, the more providers of goods and services will suffer.

"But with taxation at its current levels and the rising cost of essentials, it is quite difficult for people like me to maintain our standard of living in the current climate, and that is a worry."