

first direct

£1 MILLION IN 20 YEARS - FROM KENSINGTON TO HOUNSLOW

- Inflation erodes the value of £1m lifestyle from extravagant to affluent
 - A basket of goods costing £1m in 1992 now costs £2.6m
 - 3 in 10 people don't see £1m as a large sum of money

Over the past two decades, inflation has downgraded the lifestyle that £1 million can buy from extravagant to affluent and people's perception of the sum's value has changed significantly, according to new research from first direct.

In 1992, £1 million could buy a basket of goods including the average house in Kensington and Chelsea, a Rolls Royce, a seagoing luxury yacht, and holiday homes in Tuscany and Cornwall whereas nowadays, it can buy the average house in Hounslow, an Aston Martin and a river cruiser (see Table 1).

Today, the cost of the 1992 basket has shot up by 163% to £2,619,720. Over the same period, the average gross annual salary has increased by 100% from £15,850 in 1992 to £31,606 today.

Table 1: The Millionaire Lifestyle in 1992 and 2012

Good	1992* £1M Lifestyle		2012 £1M Lifestyle		
		1992 Cost	2012 Cost		
House**	Average house in Kensington and Chelsea	£345,920	£1,362,930	Average house in Hounslow	£347,007
Car***	Rolls Royce Phantom	£111,894	£285,200	Aston Martin DB9 V12 Coupe	£128,150
Luxury Boat	Seagoing yacht	£301,360	£509,000	River or sea cruiser (small yacht)	£344,100
Men's Watch	High end luxury brand watch	£14,880	£25,270	Basic model luxury brand watch	£9,450
Women's Watch	High end luxury brand women's watch	£13,550	£23,000	Basic model luxury brand watch	£9,810
Diamond Necklace	3.5 carat diamond necklace	£9,130	£15,500	0.45 carat diamond pendant	£5,500
Cruise	32 night Caribbean cruise	£7,770	£13,200	14 night Northern European cruise	£3,277
Holiday Home	House in St Just, Cornwall	£51,707	£149,950	House in St Just, Cornwall	£149,950
Holiday Home	Villa in Tuscany	£138,800	£235,670		
Total		£995,003	£2,619,720		£997,250

£1 million is losing iconic status

A decade ago, almost everyone (94%) saw £1 million as a large or iconic sum of money, compared with 71% now, a significant fall of 23%. This is mirrored by 20% of people saying that a win on the National Lottery would only be large if it was over £1 million.

Of the 29% of people who don't see £1 million as a large sum of money, almost half (44%) only view sums above £5 million as large and 15% only view a sum as large if it is over £10 million.

However, when looking at the more realistic financial situations that most people face, expectations are much less lofty. In the case of a retirement lump sum, 92% said they would be happy with an amount lower than £1 million, as would 98% of people for buying a house or receiving an inheritance.

People have the most modest expectations of a work related bonus, as 65% would see less than £1,000 as a substantial sum of money to receive from this source, compared with just 19% who said this of an inheritance and 11% who say this of a lottery win.

Bruno Genovese, Head of Savings at **first direct** commented:

“Over the past twenty years, the things that a million pounds can buy have become increasingly modest and our view of a million pounds as a sum of money has started to change – it is still seen as a significant amount of money by most people but not by as many as it once was. Inflation and the fact a new millionaire is created almost every week with the National Lottery means some people now have a higher expectation of what constitutes a large sum of money.

“However, most people can't rely on a lottery win for their financial planning and, as the things they hope to buy increase in price, their best option lies in building up a savings pot. Even if it doesn't make you an instant millionaire, it gives you financial stability, helps you to afford the things you want and, over time, might just help to pay for that sports car.”

-Ends-

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Notes to Editors

* 1992 prices except housing and car based on 2012 prices deflated to 1992 prices using a factor of

169.8 (UK historic inflation between 1992 and 2011

<http://www.bankofengland.co.uk/education/Pages/inflation/calculator/flash/default.aspx>)

** Housing prices based on house price rise between 1992 and 2011 of 394% in Greater London and 290% in South West according to DCLG [Table 511: Simple average house prices, by dwelling type and region, United Kingdom, from 1986](#)

*** [Cost of a Rolls Royce Silver Spur £111,894 from Autocar, May 1992 edition](#)

first direct facts

- Winner of the Which? Best Financial Provider award 2 years running
- Ranked first in the Retail Banking Satisfaction Study by J D Power & Associates for two years running
- **first direct** has 1.2 million customers
- 950,000 of them use Internet Banking
- more than 1 in 4 of **first direct**'s customers join because of personal recommendation
- over 91% of customer contact with **first direct** is electronic
- **first direct** is a wholly owned subsidiary of HSBC Holdings Plc

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