

# How smoking affects personal finances

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## Key points:

- the costs of maintaining a tobacco addiction are immense
- giving up can save a surprising amount of money
- tobacco use is highly determined by social and economic pressures
- support to stop smoking is both readily available and completely free in Scotland.

*This briefing highlights a number of issues which money advice workers may wish to consider in their work.*

## The direct cost of smoking

The recommended retail price (RRP) for a typical pack of 20 cigarettes is currently £8.47<sup>1</sup>. Undoubtedly smoking is an expensive habit and stopping smoking is a great way to save money, reduce debts or release cash to spend on other things. The financial benefits of stopping smoking can quickly add up to a significant sum of money. Based on the RRP a 20-a-day smoker who quits could save just under £60 in a week, which works out at just over £250 a month and slightly more than £3,000 a year.

Not all smokers buy ready-made manufactured cigarettes, many purchase cheaper loose tobacco to roll-their-own cigarettes or buy illicit tobacco and counterfeit cigarettes. To take this into account, ASH Scotland has estimated that the 'average' price for a pack of 20 cigarettes is more like £6.40, which adds up to just under £45 a week, around £180 a month and £2,300 a year for a 20-a-day smoker (average price calculated October 2015)<sup>2</sup>.

Whatever type or brand of tobacco a person smokes it's clear that the economic costs of maintaining a tobacco addiction are immense. A family with household income of £18,400 a year, and two parents each smoking 20 a day, will spend one quarter of their whole income (around £4,600) on tobacco.

The NHS Smokeline's online cost calculator is a useful motivational tool for people who want to stop smoking. The calculator can be used to work out the total amount a person has spent on cigarettes since starting smoking and to discover how much can be saved by not smoking. The 'cost calculator' is freely available at: [www.canstopsmoking.com/tools/cost-calculator](http://www.canstopsmoking.com/tools/cost-calculator)

## The hidden financial costs of smoking

### Insurance policies

Smoking can more than double the cost of some insurance premiums. It doesn't matter to insurance companies if a person is a one-a-day, forty-a-day smoker, or an occasional social smoker, if they have smoked in the last twelve months they will still be classed as a smoker. Once a smoker has been nicotine-free for a whole year (this includes nicotine-replacement stop-smoking products, such as patches) they can go back to their insurer and ask for non-smoker rates. It seems that most insurance companies also class someone using e-cigarettes as a smoker too<sup>3</sup>. Insurance companies make checks against applicants to discover if they are telling the truth about smoking and are likely to investigate medical history if a claim is made on a policy. If a person is found to have been dishonest in their application, it is likely the claim will be rejected.

Policies which cost more for smokers include:

- **life & critical illness insurance** - research by moneysupermarket.com reveals that a 30 year old man with £150,000 worth of critical illness and life insurance could save, £9.90 per month, or £2,970 over the 25 year term if they made the decision to go smoke-free. Likewise, a 30 year old man with £150,000 worth of single life cover could save £5.63 per month, or £1,689 over the 25 year term by quitting smoking.<sup>4</sup>
- **home insurance** - premiums may be higher for people who smoke because of the increased risk of residential fires started by cigarettes.

### Car costs:

- **careless driving** - if smoking/lighting up at the wheel is deemed to cause careless driving it will be viewed as an offence under section 148 of the Highway Code. If proven, this could lead to a fine of up to £2,500, a mandatory 3 to 9 penalty points; and discretionary disqualification. This in turn would increase the cost of car insurance.
- **car insurance** - insurers may charge more as they regard smoking whilst driving a distraction.

- **resale value of car** – signs of tobacco use such as smell, burns and stains are implicitly included among many factors that diminish the value of a car. Some materials used in cars may be especially prone to absorbing smoke (e.g. upholstery, carpeting, and ceiling liners) and there will be a distinct smell of residual second-hand smoke for weeks or months after the last cigarette was smoked there.

### Home costs:

- cigarette smoke may cause yellowing stains to build up on walls, ceilings and paintwork. Soft furnishings and carpets also may become stained from exposure to cigarette smoke as well as retaining the smell and being vulnerable to burns. Plug-in fragrances, candles and aerosol fresheners, which can be costly themselves, are sources of air pollution and temporarily mask rather than remove the smell of stale cigarette smoke. The resale value of a home may be reduced as smoke-staining and the smell of stale smoke could deter non-smokers.

### Loss of earnings

Research suggests that current smokers are more likely to be absent from work and take an average of 2.7 extra sick days a year compared to non-smokers<sup>5</sup>. For workers not entitled to sick pay, extra days off would therefore mean a loss of pay. Researchers have also found that smokers are more likely to take early retirement because of chronic disease<sup>6</sup>, which again could have a detrimental effect on personal finances if not expected.

### Tobacco use is intrinsically linked to inequality

Tobacco use is highly determined by social and economic pressures. Smoking rates in Scotland's most deprived communities are four times higher than in the richest. Almost half of adults who are permanently sick or disabled, or who are unemployed and seeking work, smoke tobacco. In each of these groups most of those who smoke say that they want to stop, so this is a matter of substance addiction, not poor decision-making or lifestyle choice.

Higher smoking rates mean greater health impacts but also increased financial pressure due to the economic costs of smoking.

Reducing the smoking rate presents an unmissable opportunity to tackle poverty. Every 1% reduction in Scotland's smoking rate provides an extra £12.5 million in disposable income to those in the most deprived SIMD

group<sup>7</sup>. Achieving the 5% smoking rate identified by the Scottish Government<sup>8</sup> would deliver 29 of these steps, so that the poorest 20% in Scotland would be £360million better off every year.

### Free support to stop smoking

According to recent figures two-thirds (67%) of Scotland's smokers say they would like to quit smoking<sup>9</sup>. Supporting people in their desire to stop smoking will play an enormous part in reducing the harm caused by health inequality and improving well-being. Surveys have found that, after health reasons, the next most common reason given for wanting to stop smoking was a financial one, around a third said that smoking was too expensive or considered it to be a waste of money<sup>10</sup>.

People trying to stop smoking can boost their chances of success if they get support to do so and there are lots of different ways to find support:

- pharmacies/local chemists are able to provide quit smoking advice and support. Where appropriate, the pharmacist can identify the most suitable form of nicotine replacement therapy (NRT) and some pharmacies run NHS-funded stop smoking services
- through the local doctor's surgery
- phone free to Smokeline on **0800 84 84 84** (8am to 10pm, seven days a week)
- Smokeline advisers provide free advice and information for anyone who wants to stop smoking, or who wants to help someone to quit. Smokeline also provides information about the free stop smoking services provided by every health board in Scotland
- request stop smoking leaflets, a magazine and a DVD from Smokeline either by calling the helpline, or by texting 'QUIT' to 83434
- visit [www.canstopsmoking.com](http://www.canstopsmoking.com) and enter a postcode to find the nearest stop smoking service or use web chat support (8am to 10pm) at [www.canstopsmoking.com/Web-Chat](http://www.canstopsmoking.com/Web-Chat)

Money advice services, citizens advice bureaux, food banks and other support services can help to meet the needs of their clients through joining up with local stop smoking services to pursue the health and financial benefits of stopping smoking.

## References

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