



It's all **relative**

The inner workings
of family finance

2020 has proved a challenging year for everyone and has meant that, for many, **forward financial planning** has become much more of a priority.

Background

The need for intergenerational finance and support across the whole family structure is growing and it's clear that no single narrative exists for all families - they all have their own individual needs, quirks and requirements. It's vital that the professional adviser community and financial institutions work hard to understand this and help people talk comfortably about money, and ultimately take control of their own financial destiny.

At the start of 2020, Hodge conducted a major research project looking into intergenerational finances. More than 3,000 people were involved in the study, who were asked about their attitudes towards money and their financial aspirations for the future. The research included in-depth face-to-face interviews and more than 3,000 shorter interviews.

The research helped us understand that attitudes towards finance change for each generation. It has highlighted that more needs to be done to support customers and help them access appropriate financial help and advice at a time when they are being pulled both personally and economically in many directions.

What we found:

It's clear that the need for finance and support within the family structure is growing. Our research shows that:

- Family financial support is extremely prevalent but it comes in different guises, both formal and informal.
- There is a significant contribution from those nearing the retirement age bands.
- The needs and achievements of family appear to be prioritised over personal goals, with drivers of life satisfaction evolving as families grow.
- The focus on family at all costs is leaving big gaps in personal finances and impacting future life expectations.
- Even more could be achieved with regards to supporting families AND preserving self, but current means are limited due to a lack of uptake in professional advice.
- More needs to be done by the professional adviser community, financial institutions and regulators to encourage regular advice and from an earlier age.

At Hodge, our goal is to help people become comfortable enough to think, plan and take control of their future.

Let's look at this in more detail.

Room for improvement – building greater optimism with the later life population.

A greater awareness of retirement options and taking a holistic view of finances can highlight possibilities that would ordinarily remain unknown, helping to build a more positive outlook for the future.

When it comes to being the most satisfied with their current life, **those in the 65+ bracket came out top in our survey.**

However, those aged 55+ have the lowest expectation of their life improving in the future. Despite the many opportunities typically available to someone aged 55 or over, only **24%** within the same age bracket expected their life to improve, compared to **73%** in the 18-34 bracket and **47%** of those aged 35-54.

Those closest to retirement who feel life will get worse

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When you consider that retirement should be a time of optimism and freedom, this is a sad statistic.

Nearly a quarter (21%) of those aged 55+ feel the state of their finances will get worse rather than improve in the future, despite 68% being satisfied by the current state of their finances.

Within the same age group, levels of satisfaction towards mental health (**81%**) and standard of living (**79%**) are good, but expectations for the future are not as rosy. **One in five closest to retirement age expects their standard of living to drop.**

Why? This could be due to a reduction of income in retirement, but the opportunities to raise finances in other ways to maintain or boost living standards are clearly not being understood or acknowledged.

Those closest to retirement who expect their mental health to deteriorate



This period – usually one that coincides with events like children getting married or becoming grandparents for the first time – should be a time of expectation and excitement, when wellbeing is boosted by happy events. So, the fact those close to retirement don't expect their life to improve should certainly represent an opportunity to do more and help prevent a continuation of the same pattern emerging.

While the loss of working income that comes with retirement will definitely play a part in that view, we must ask if people are exploring all of their financial opportunities? If a greater number of opportunities were presented to them, would they view their future more optimistically as a result?

Also, is there enough awareness of later financial opportunities before hitting 55? If people were aware of how to boost their post-55 funds by advance planning, it could be a key driver in creating greater financial optimism. This noticeable decline in living standard expectations can be turned around with the correct advice and greater security goals.

The **real winners** in family finance

Family members who provide financial support get more satisfaction and value than recipient family members because, as the family unit grows, internal value becomes more geared towards helping others than helping themselves.

When it comes to supporting those around them, it's clear that the over 55s have a real willingness to put their families first. This isn't because they feel pressured to, but more because they have a real desire to support them.

The research speaks for itself:

78%

78% say family is the most important thing in their life

53%

More than half (53%) get pleasure from helping family members with money if they need it

75%

Three-quarters (75%) say they also get pleasure from helping the family with non-financial support

55%

55% say they don't feel pressured into helping family members with money if they need it

However, it seems our generous 55+ generation aren't quite so good at accepting help themselves with more than half (54%) reluctant to accept financial help from family members.

They also have less achievements that they want to conquer – this could be because they have already reached their goals, but it could also be a consequence of the significant demands on personal finances (such as extra family support) during this time which make it more challenging to plan for themselves.

Almost half (**49%**) of 55-64 have children who have moved away and own their own property, compared to just **17%** in the 45-54 age bracket. It's interesting to see this shift in circumstances – those with children moving out to become homeowners are likely to have supported that home buying experience, so the cost is just transferring from one thing (fronting a house deposit for example) to another, proving that the financial dependency of children is ongoing and relentless.

The 55-64 age group are also the most likely to have KIPPER (Kids in Parents' Pockets Eroding Retirement Savings) kids still living home (**12%**) which is likely to cause a major strain on finances and a rising proportion (**29%**) become grandparents in this age bracket too, leading to greater emotional, physical and financial impact.

And while we've seen that 55+ are generous with their support, it is nevertheless alarming that **one in five** aged 45-54 years do not have a pension.

More worryingly, a third of 55-64-year olds are unsure whether they have a pension or not. It's clear that many do not have a strong enough focus on their later life and how they will fund it.

The results show us that the older generation often help out with savings or cash deposits but could be doing more, with the help of professional advice, to plan more for a better later life. For example, rather than give cash, they might be able to use the equity on their home as a more sustainable alternative.

Getting to know the six key members of the family



1 Young Ambitious Goal-seekers

Ambitious by nature, this group are starting out adult life with their sights set firmly on achieving several personal goals over the coming years. From buying their first home to accelerating their fledgling careers, little is beyond their imagination. But funding these life ambitions remains a critical challenge, with finding reliable employment, student debt and rising house prices all stacked against them. Nevertheless, they maintain a positive outlook for their future and will likely pluck up the courage and reach out for family support when they need it most, despite the embarrassment it causes them.



Demographic

- 69% are working full or part time
- 24% live with their parents
- 63% single / in relationship

Priorities

- Being debt free
- Improve health
- Travelling

Challenges

- Work life balance
- High house prices
- Ability to save money

2 Indebted Homeowner Hopefuls

Fiercely protective of their family bubble, this group are the most optimistic about their future. With a strong belief that things will get better, they're focussed on blending more family time with career progression to create a rewarding environment for everyone in their family unit. But with housing costs and existing debt to contend with, they find it challenging to manage their growing daily expenses and have little room to save for a rainy day. Despite their general optimism, being debt free feels like a pipedream to this group, who despite being reluctant to accept help, also realise that support from their wider family is the most likely way of achieving their short-term aspirations.



Demographic

- 77% are working full or part time
- 46% have children living with them
- 52% are parents

Priorities

- Improve health
- More family time
- Debt free

Challenges

- Ability to save money
- Pay off debt
- Managing day to day finances

Getting to know the six key members of the family



3 Financially Challenged Strugglers

Under pressure on a day to day basis, this group are the least privileged in society. With lower employment levels and extremely modest household income, they face a barrage of challenges, not least the pressure of repaying existing debt and depleted credit ratings. Consequently, their priorities in life are far less luxurious, instead centring primarily on becoming debt free – which for this group, is an unlikely outcome. With so much stacked against them, they have the lowest life satisfaction of all the groups and see little improvement on the horizon, a truly sad reality with so much life ahead of them to live.



Demographic

- 21% aren't looking for employment
- 39% have children living with them
- 44% single / in relationship

Priorities

- Career
- Buying new/first home
- Travelling

Challenges

- Ability to save money
- Paying off debt
- Managing day to day finances

4 Thriving Life Achievers

Affluent and financially astute, this group is the wealthiest of all the segments. They benefit from significant household income, broad investment portfolios and substantial home equity. Their privileged financial situation means they have very few challenges in life and benefit from the reassurance of extensive insurance protection. Whilst they have strong intentions to support their family, their immediate goals are more personal. Funding and planning retirement are front of mind, as they seek to fast forward to the freedom of their hard-earned retirement years.



Demographic

- 61% are working full or part time
- 75% live with partner
- 28% are grandparents

Priorities

- Funding retirement
- Travelling
- Planning retirement

Challenges

- Work life balance
- Physical health
- Mental health

Getting to know the six key members of the family



5 Family-focussed Helpers

With a relentless focus on family, this group are perhaps the most selfless of all. Completely open to providing financial and non-financial support for their loved ones, they see no issue in being asked to help. And with fewer financial challenges facing them, they relish the opportunity to step in and support whenever possible. But with advancing age comes concerns over their own health and the impact that may have on their family network. To remedy these fears, they proactively seek professional advice to establish clear plans to support the generations to come, leaving what they hope will be a strong legacy and a positive family environment.



Demographic

- 43% are retired
- 69% live with a partner
- 32% are grandparents

Priorities

- Travelling
- More family time
- Improve health

Challenges

- Physical health
- Mental health
- Family problems

6 Advice Avoiding Traditionalists

By far the oldest of all segments, this group has a typically traditional outlook on life. Largely unapologetic of their firm views, they believe asking for financial support is wrong and see being debt-free as an achievable ambition for all. A lifetime of experience has made them comfortable in their own ability to make financial decisions and they have no desire to learn more about money or seek support from a professional adviser. As they continue to enjoy their later years, it's clear this group has no ambition to change its ways any time soon.



Demographic

- 50% are retired
- 55% live with a partner
- 28% are grandparents

Priorities

- Travelling
- Improve health
- Improve self-esteem

Challenges

- Physical health
- Mental health
- Work life balance

By identifying these different personas, we are able to action financial advice that suits them and their circumstances, although no one size fits all.

Grandparents – the overlooked heroes

Grandparents play a significant role in the family structure but are often underappreciated because much of the support they provide isn't clear and obvious.

Our survey found the role of grandparents, alongside parents, as being pivotal in the financial lives and wellbeing of many of the younger generations. The Bank of Mum and Dad is widely recognised in everyday life and for good reason. Whether it be their relentless contributions to first home deposits or funding the ever-growing costs of higher education, parents play a major role in helping their loved ones to achieve their life ambitions. However, without the supportive platform provided by grandparents, much of the financial help available to younger generations might not be possible. From easing childcare challenges experienced by almost one in ten parents, to providing a much-needed financial boost to everyday finances, grandparents play a critical role in enabling working parents to provide for their family.

Whilst there is a reliance on grandparents to keep the family unit running smoothly, the pressure doesn't appear to be impacting their current outlook and attitude to life. Almost two thirds of grandparents say they get pleasure from helping their family financially, whilst 86% get pleasure from supporting non-financially. They're true to their word too, with 60% of grandparents having offered a gift to a family member within the last five years, compared to just 39% of parents. It's not just how often they support either, with the most recently offered gift from grandparents averaging just over £13,000,

almost 20% higher than the equivalent offered by parents. And these gifts really are gifts, with just 15% of grandparents expecting gifts to be repaid, a figure that rises to just over one third when the gift has been offered by a parent.

But how sustainable is financial support from grandparents? Our research suggests they may be closer to the edge than people think.

Source of grandparent gifting

82%

82% comes from hard-earned savings

15%

15% comes from investments

Perhaps surprisingly, the home is the least utilised source of gifted funds, with just 3% of grandparents generating cash from their home compared to 16% among parents. Whilst gifting through savings might be a sound strategy when the number of grandchildren is low, it presents a greater challenge as the number starts to rise. The proportion of grandparents with three or more grandchildren rises sharply between ages 45-54 (32%) and 55-64 (46%), coinciding with other major life-time events like preparing for retirement or looking after elderly parents. And, with an attitude that is far more about others than themselves, getting the balance right between guarding their own financial safety net and helping their loved ones in equal measure can be hard.

86%

86% get pleasure from supporting non-financially

60%

60% have offered a gift

15%

15% expect a gift to be repaid

Grandparents – the overlooked heroes

Becoming a grandparent means investing a huge amount of emotional, practical and financial support, and it's crucial that this age group know what the future holds for them financially.

With **41%** of grandparents unclear about whether they have a pension or not, it's evident that many don't have a strong enough grip on their later life finances.

41%

41% unsure if they have a pension

20%

20% don't have a pension

The role of a grandparent has evolved over the years. More and more are helping with childcare and are proving indispensable to the modern family, so more needs to be done much earlier to pave the way for a financially secure later life for them, as well as the family they want to help. With almost **one in five grandparents not having a pension**, there is an obvious gap that could be filled with the right expert advice.

The Covid-19 pandemic has resulted in more older relatives wanting to help out their grandchildren. Although the Bank of Mum and Dad is still firmly open, the crisis has made the older generations really think about their own finances and how they can support their families with financial gifts.

If the pandemic has taught us anything, it's to appreciate what we have and it's certainly a perfect time to celebrate the role of grandparents in our lives. The emotional support they add to a family is huge. Many have reached a stage in their life where they have achieved what they want to achieve, have set themselves up for retirement and our research shows that grandparents – found in abundance in the Thriving Life Achievers and Secure Family-focussed Helpers groups – prioritise family over themselves.

The gift of giving

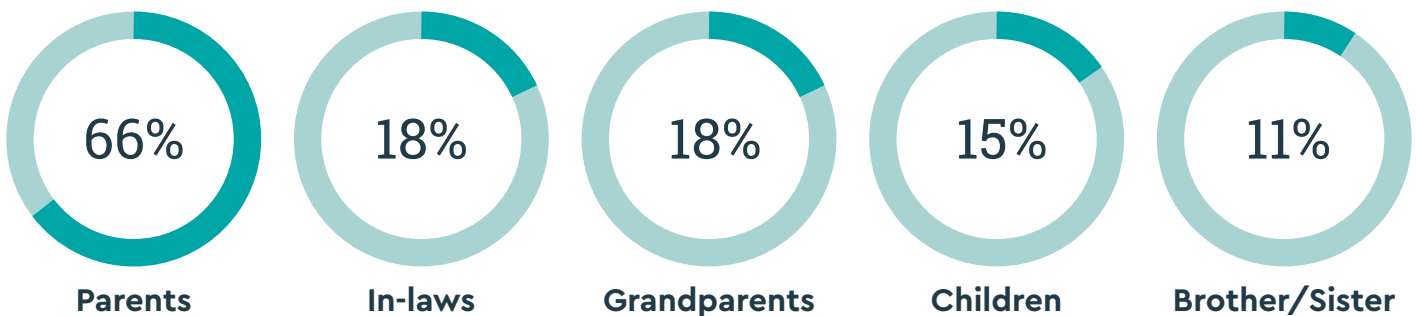
Gift giving is an emotion filled experience, where concerns for the donor and recipient drive focus away from formalised gift planning to the relative emotional safety of more informal giving.

Talking about money with family can be difficult. But not talking about money with family can make things even harder, especially when it comes to giving a financial gift.

However, informal gifting has become big business between family members. Gifts are anything of value such as money, property, helping to pay for someone's housing, education, or care expenses. When it comes to gifting, almost one third have received a gift of £250 or more in the last five years.

Who do they come from?

Gifts are predominantly received from:



Gift giving accelerates between the pre-retirement and early retirement years, a likely consequence of children's life-stage (weddings, homes), reduced outgoings (no mortgage) and access to new funds (pension).

Children are the primary drain on funds, spiking sharply in the 45-54 range (from 23% to 72%) and peaking at the 55-64 bracket (87%) and it seems that lots of gifting comes about in a relatively short window of time, placing serious pressure on finances.

Where does the gifted money come from?

Although the predominant source of the money is cash savings (79% in the over 55s), this does vary, dependent upon the need.

Interestingly, equity release or a re-mortgage (formal gifting) is used fairly frequently to help fund a new home, a wedding or a child's education.

What are the gifts used for?

Around one in five (19%) have received help with day to day finances, with around one in 10 of those receiving a gift using it to pay off debt (14%), purchase a property (11%), pay for education (11%) or a wedding (7%).

The most lucrative gifts are for new homes, weddings and paying for education.

The gift of giving

Do the gifts get repaid?

Whilst gifts aren't generally expected to be repaid, this could ultimately lead to gaps in retirement funds and limit opportunities in retirement years. High cost events tend to occur more commonly in the 55-64 pre-retirement age group, which might explain the upturn in life satisfaction but also the lower expectations of their finances.

It's clear that many donors put family support before personal interests, but do they have to? With a broader perspective of options to fund retirement, it could well be possible to have your cake and eat it!

Informal v formal gifting

When it comes to treating family members, informal gifts far outweigh formal ones. In the 45-54 and 55-64 age groups, cash is used as the primary means of funding gifts. But is this the most efficient means? Could utilising the cash in a formal way – for example with inheritance planning – be a better long-term option?



**Is it better to give the grandchildren
£100 each to have a day at a theme park**

or



**Could that £100 be put into a savings
account or ISA that will grow with
interest for when they really need it?**

Given that there are so many demands, challenges, and expenditure in a post-55 world, being offered sound, financial advice about formal gifting as early as possible could result in a more efficient way of gifting.

Despite how prolific gifting is during pre-retirement years, there remains only a minor appetite for inheritance or intergenerational planning. It's unsurprising that retirement planning becomes important but, at a peak of 38% across those aged 55 to 64, it's clear too few people see the benefits.

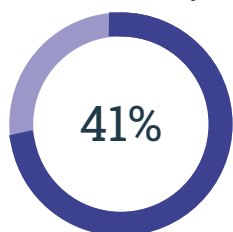
The challenges of talking about money and inheritance

Talking to family about money is often uncomfortable and a topic to be avoided, but opening up the conversation around finances could allow greater financial stability for all in later years

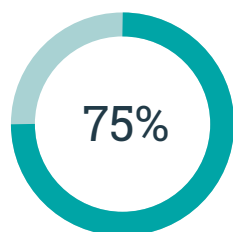
Talking about money has always been a bit of a taboo subject. It can stir up a lot of intense emotions among families and for many it continues to be a minefield of misunderstandings. Despite wider societal breakthroughs in more openly discussing personal subjects such as mental health and sexuality, it appears that money is still seen as a taboo conversation topic in the UK.

Our research shows that conversations with family about inheritance still appear to be a challenge, with **41% of over 55s never discussing the issue with anyone**. However, the older people get, the more likely they are to anticipate leaving an inheritance, with **75% of the British population expecting to leave one in the future**.

Over 55s who don't discuss inheritance with anyone



Those who expect to leave an inheritance



However, it remains an issue that clearly is not discussed within the family, despite media campaigns from big high street banks to normalise the topic. It's interesting that just 25% have spoken to their spouses and 13% with their children about wills, and although 90% of over 55s expect to leave an inheritance, 41% haven't discussed their wishes with anyone.

Pre-retirement years are not exempt from this inheritance silence either, despite it being a period in life where children are more likely to be grown up and therefore capable of holding discussions on the subject.

Those who intend to leave an inheritance

45-54

71%

55-64

85%

There is a sizeable dip in intention to leave inheritance in the 45-54 and 55-64 age ranges (71% and 85% respectively).

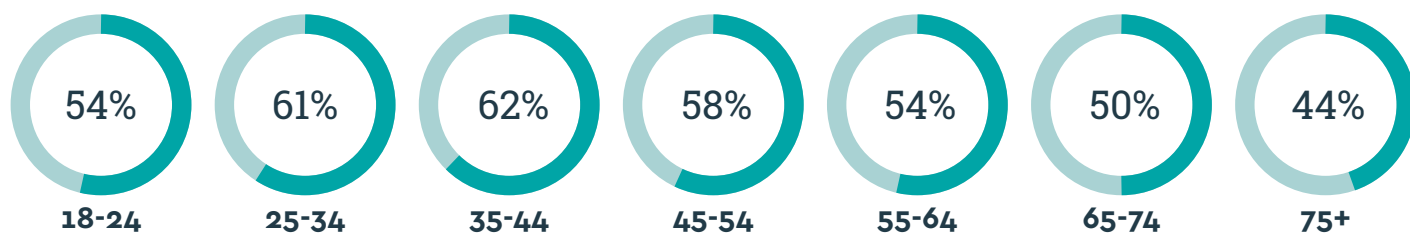
This is most likely due to the significant pull on finances at this time, which raises the question of whether you will have the necessary funds to leave an inheritance. At this life stage, these age groups don't have the benefit of a pension and are less likely to have explored alternative ways to raise money, so they may be overestimating their future financial position.

Despite many of these holding parental responsibilities or being grandparents. This group also procrastinates about writing a will, as other priorities take over. The figures do change in the 55-64 age group, where there are more triggers to instigate will writing like ill health, or becoming grandparents.

It's clear people aren't considering these things early enough in their lives, perhaps because they don't seek professional advice to help them understand the benefits.

The challenges of talking about money and inheritance

Based on those who agree with the statement:
"Asking for financial help from family is difficult/embarrassing"



When it comes to knowing how much inheritance you are expecting to receive from your parents, 37% of the UK population just don't know. This lack of clarity regarding the amount prevents people from planning for their future – having some sort of idea after an open and honest discussion could allow proper financial planning to take place. With the average amount expected to be received at around £170,000 for the 45-54 and 55-64 groups, factoring that into financial plans is critical and proper advice would ensure the value is maximised.

For those who do receive inheritance, the predominant use is putting it into savings/ investments (36% in all age groups and 41% in the 55+). This figure increases from 37% to 45% in the pre-retirement years, possibly because of significant demands on parental wealth, which poses the question – what is the best way to fund those little life emergencies? **That the most likely destination for inheritance is a savings account further highlights the need for specialist guidance and advice.**

Other ways to use inheritance include paying off debt, moving home, buying things for themselves or offering close family members a financial gift.

Planning for the future and its role in **life satisfaction**

Planning for achievements in the near future improves life expectations because it creates clarity and builds anticipation.

Our research shows that as people go through life, they get happier, but older people are less likely to think things will improve. For example, only **2%** of 55-64 think their standard of living will improve a lot, **56%** believe it will stay the same and one in five (**21%**) think it will actually get worse.

And when it comes to planning for events in the future, our data shows older people plan for fewer achievements in the next five years. It's blindingly obvious that family is their main priority (**78%**) but only **38%** over 55+ have planned what they want to achieve in the next five years and **a quarter haven't planned anything at all.**

Over 55s who haven't planned what they want to achieve in the next 5 years



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It seems to be about what they can do for other people rather than what they can do for themselves. **Three quarters of 55+ find pleasure in helping out their family with non-financial support and over half (53%) enjoy helping out financially too.**

Our data proves that those of pre-retirement age have less desire to pursue new achievements than the other age groups, but also that their wish to put the family first is a choice; they don't feel pressure to help out (both financially and non-financially), they simply want to.

Lack of expectations for the future could well be because people at this stage of life feel they have already achieved what they wanted to – like a family, a good secure job, or a pension pot. But it could also be that they don't actually have the means to continue achieving or that they don't have time for personal goals because they are so busy supporting their wider family financially - especially those close to retirement who are journeying from being parents to grandparents too.

Crucially, at a time where current and future finances are so important, those aged between 45 and 64 still don't feel the need to seek professional financial advice, with **46%** of over 55s admitting they would only seek advice on complicated issues and a significant **31%** saying they never seek professional advice and do the research themselves.

Interestingly, those who do seek professional financial advice are more likely to be satisfied with their life than those who don't, with finance being a key driver to life satisfaction.

Conclusion

It is clear to see that more needs to be done by the professional adviser community, financial institutions, and the regulators to encourage regular and appropriate financial advice - and from an earlier age. We need to get people comfortable thinking and talking about money so they can take far greater control of their financial futures.

Planning for a financial future improves health and well-being, and advisers should be using this message and working to this goal.

But when it comes to intergenerational finance, as our extensive research shows, it literally is all relative! We must have a 'no one size fits all' approach. Family financial support is widespread and comes in many different forms and over many age groups, but the most significant contributions are coming from those who are nearing retirement age. They are the generation who are putting their family needs, both emotional and financial, before their own and who gain much pleasure from doing so.

However, the focus on family at all costs is evidently leaving big gaps in personal finance at a time when the likes of those in the Thriving Life Achievers and Secure Family-focussed Helpers groups should be enjoying a new-found freedom, both personally and financially. They are ploughing so much love and financial support into their children and grandchildren that they are not thinking about what they could achieve in the future, or whether they could be just as generous in a more financially astute way with savvy financial planning.

The need for intergenerational finance and support within the family structure is growing, and this research has allowed us to be better equipped to identify and support consumers and advisers within the intergenerational and later life markets. More professional advice would allow this super-generous group to achieve even more financially, both for themselves and their families. Our challenge as financial providers and advisers is to convince them as early as possible of the benefits of saving and planning for later life. Our role is to get them and their wider families talking about money without discomfort and give them control of their money, while retaining the ability to gift to younger generations.



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